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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1962

No. 821

BADGER METER MANUFACTURING COMPANY,

Petitioner;

v.

JAMES B. BRENNAN, in his capacity as United States Attorney for the Eastern District of Wisconsin; and EMIL J. NELSON, in his capacity as District Director of Internal Revenue,

Respondents.

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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INDEX TO APPENDIX

	Page
Appendices	
Appendix A: Statement Of The Relief Requested, And Prayer For Relief, In Petition To District Court	1
Appendix B: Opinion, Entitled "Memorandum", Of District Court	5
Appendix C: Certificate Of Clerk Of District Court, Dated December 26, 1962	22
Appendix D: Order For Judgment, Of District Court	24
Appendix E: Order, Entitled "Order Dismissing Appeal", Of Court Of Appeals	26
Appendix F: Applicable Provisions Of The Statutes And Rules Involved	27
Appendix G; Statement Of The Case Which Will Be Reviewed If The Judgment Of The Court Of Appeals Is Vacated	28

Page of Record

APPENDIX A

3 IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF WISCONSIN

BADGER METER MANUFACTURING COMPANY, *Petitioner and Movant,* *v.* EDWARD G. MINOR, in his capacity as United States Attorney for the Eastern District of Wisconsin; and EMIL B. NELSON, in his capacity as District Director of Internal Revenue; *Respondents.*	NO. 59-C-119 PETITION AND MOTION FOR THE RETURN OF SEIZED PROPERTY AND THE SUPPRESSION OF EVIDENCE

THE RELIEF REQUESTED

Badger Meter Manufacturing Company, a Wisconsin corporation, with an office in Brown Deer, in Milwaukee County, Wisconsin, which has at all times filed its income tax returns at the office of the District Director of Internal Revenue in Milwaukee, Wisconsin, hereby respectfully petitions and moves that this Court

(I) order that there be returned to the petitioner all copies, data, memoranda and computations made and excerpts taken by either or both Franklin P. Graf, an Internal Revenue Agent (hereinafter called "Revenue Agent Graf") and Frederick C. Stieber, Special Agent (hereinafter called the "Special Agent"), in the course of their examinations of the books of account, correspondence files, expense reports and other books and records of the petitioner

Page of Record

4 during the period commencing on or about July 5 and ending on or about July 28, 1954;

(II) order that all the copies, data, memoranda, computations and excerpts referred to in (I) above, and all clues, leads, knowledge, information, material and evidence (hereinafter called, collectively, "secondary evidence") directly or derivatively obtained as a result of the examinations referred to in (I) above, be suppressed as evidence against either or both the petitioner or any past or present officer or employee of the petitioner, including Philip J. Berner (hereinafter called "Berner"), Secretary and Treasurer of the petitioner, in any preliminary examination, Grand Jury hearing or other criminal proceeding against any or all of them;

(III) order that there be returned to the petitioner all copies of two books (hereinafter called the "ledgers"), one being a two-post ledger containing 191 pages and the other being a three-ring binder containing ninety-three pages, which were produced by Berner on March 4, 1955, pursuant to the Special Agent's summons to testify and produce them, the originals and all copies of advance and expense checks referred to in the ledgers, and the related expense reports, supporting documents and correspondence, and all excerpts taken and data, memoranda and computations made or derived therefrom or by means of the use thereof, which are in the possession or under the control of either or any of the respondents or any attorney, agent or employee of the Department of Justice or the Internal Revenue Service;

Page of Record

(IV) order that the originals of the ledgers, all copies thereof, all the originals and copies of the checks, expense reports, supporting documents and correspondence, and the excerpts, data, memoranda and computations referred to in (III) above, and all secondary evidence directly or derivatively obtained by means of the use of any thereof, be suppressed as evidence against either or both the petitioner, or any past or present officer or employee of the petitioner, including Berner, in any preliminary examination, Grand Jury hearing or other criminal proceeding against any or all of them; and

(V) permanently restrain the respondents and all attorneys, agents and other employees of the Department of Justice and the Internal Revenue Service from using as evidence in any preliminary examination, Grand Jury hearing or other criminal proceeding against either or both the petitioner, Berner or any other past or present officer or employee of the petitioner, and from disclosing to any other person or governmental department or agency any of the copies, data, memoranda, compilations and excerpts, ledgers, checks, expense reports, supporting documents and correspondence, the secondary evidence, and the contents of any thereof, referred to in (I), (II), (III), and (IV) above.

* * * * * *

(*Appendix A*)

Page of Record

15 PRAYER FOR RELIEF

Wherefore, the petitioner prays that this Court enter its orders

(A) granting to the petitioner the relief delineated in paragraphs (I), (II), (III), (IV) and (V) set forth first above under the caption "THE RELIEF REQUESTED"; and

(B) granting to the petitioner such other and further relief as may be just and equitable.

/s/ James D. Porter

/s/ Norman H. Quale

/s/ Irving W. Zirbel

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(*Appendix A*)

Page of Record

APPENDIX B

65 UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

BADGER METER MANUFACTURING COMPANY,
Petitioner and Movant,

vs. No. 59-C-119

JAMES B. BRENNAN, in his capacity as United States Attorney for the Eastern District of Wisconsin; and

EMIL B. NELSON, in his capacity as District Director of Internal Revenue,
Respondents.

PHILIP J. BERNER,
Petitioner,

vs. No. 59-C-125

JAMES B. BRENNAN, United States Attorney for the Eastern District of Wisconsin,
Respondent.

MEMORANDUM

The petitioners in these two actions, being Badger Meter Manufacturing Company in Case No. 59-C-119, and Philip J. Berner, its secretary-treasurer in Case No. 59-C-125, request return of certain property and its suppres-

Page of Record

sion as evidence in any criminal proceeding and seek to restrain the named respondents, their agents, etc. from using such property as evidence in any criminal proceedings. The actions were consolidated for hearing, at which hearing, the following facts were established:

On January 4, 1954, Frederick C. Stieber, then and now a special agent of the Intelligence Division of Internal
66 Revenue Service was orally assigned by his superior to make an investigation of Badger Meter Manufacturing Company, hereinafter referred to as Badger. On that date, he interviewed an informant and at that time or shortly thereafter, obtained the informant's affidavit which stated that in the course of selling water meters to various municipalities, it was the policy of Badger to make kickbacks to certain city officials or employees at the rate of 10% of the cost of the water meters purchased and that Philip J. Berner was the company official who carried out that policy. The informant told Stieber that the kickbacks were paid through the medium of advances to salesmen. On January 7, 1954, Stieber, who, as a special agent, was concerned with investigating for possible criminal tax violations, requested that a case number be assigned to the investigation of Badger, indicating that at that time he believed his informant was reliable and that a full scale investigation was warranted.

Thereafter and on January 18, 1954, the Chief of the Intelligence Division sent a memorandum to the District Director, stating that an informant had presented information relative to alleged violations by Badger for the years 1949 to 1951 which would warrant a joint investigation and asking that an internal revenue agent be

Page of Record

assigned to participate with Stieber in such an investigation. On January 20, 1954, Revenue Agent Franklin P. Graf, who had previously been assigned to audit the company's 1951 income tax return, was assigned to participate with Stieber in the joint investigation. He and Stieber had a short conference on or about that date during which Stieber informed Graf that the investigation concerned kickbacks to public officials.

There is a dispute in the evidence concerning the early stage of the investigation. It is the position of the petitioners that Revenue Agent Graf appeared at Badger at least two weeks before Special Agent Stieber and examined its books and records for ten days under the guise
67 of conducting an audit of the company's 1951 return, before being joined by Stieber on July 12, 1954. The respondents admit that Graf commenced his audit prior to the appearance of Stieber and did not then reveal either that he planned to investigate years prior to 1951 or that a joint investigation was in progress. They contend, however, that Graf spent only two days at the plant alone — July 1 and 2, 1954, and that Stieber and he appeared together on July 6th when Stieber was identified as a Special Agent. We have examined the conflicting evidence on this point, and it is our belief that Revenue Agent Graf began to examine the records of the company at least two weeks prior to July 6, 1954, and conducted such examination for ten days before being joined for the first time by Special Agent Stieber. In making this finding we have rejected Graf's unsupported testimony that he was at the company's plant for only two days, July 1st and 2nd, before Stieber's first visit on July 6th because

Page of Record

Graf admittedly had almost no independent recollection of his investigation. Although he testified that his report showed that he began his investigation on July 1, 1954, that report was not offered in evidence. We have accepted July 6th as the date when the Special Agent appeared on the scene openly because it is supported by other evidence not dependent upon the memory of any witnesses. We further find that Graf went to the plant alone with the knowledge and consent of Stieber, who, as special agent, was in charge of the joint investigation, and that Graf was aware of the fact, when he went to the plant that the prime subject of the investigation was the kickback policy of the company and that the prime target of the investigation was Berner. We must also find that at all times after conferring with his informant in January, 1954, Special Agent Stieber well knew that Berner and not the company was the target of any criminal investigation, and we find that Graf was aware of this fact on his first visit to the company's plant.[1]

68 While working at the plant prior to July 6, 1954, Graf informed no one that he was participating in a joint investigation, stating only that he was to audit the books. Neither did he inform anyone that years prior to 1951 were being investigated. He received the cooperation of company personnel and was refused access to no records requested by him.

What we consider to be the second stage of the investigation commenced on July 6, 1954, when Special Agent Stieber began his open participation therein by joining

[1]Although Stieber testified that the informant's affidavit set forth "more than one name" of persons principally concerned with Badger's kickback practice, this was not true. The affidavit named Berner only as the person carrying out the policy.

Page of Record

Graf at the plant. It is uncontroverted that Stieber identified himself as a Special Agent on that date, but informed no one that he was there to conduct joint investigation with criminal implications. Company officials, including Berner, were then informed, however, that the Revenue Service had information that the company was allegedly making kickbacks through its salesmen. Stieber and Graf, working together, continued to receive the cooperation of company personnel after Stieber's identification as a Special Agent and after learning that the Revenue Service was concerned with kickbacks.

Prior to going to Badger's plant on July 6, 1954, Stieber had information about the existence of records regarding kickbacks, but had no description of any such records. Within several days thereafter, however, Stieber obtained from the company records, the name of Mrs. Towle, former secretary of Berner. He then interviewed Mrs. Towle, who gave him information describing the record as a "black book" and locating that book as being in a closet in Berner's office.

When Stieber began his investigation on July 6th and thereafter, he examined salesmen's expense accounts and ledger sheets looking for advance payments to salesmen and transcribing and abstracting from those records. On July 27, 1954, he requested Berner to furnish salesmen's correspondence files and Berner referred him to the company's attorney. After a conference with the attorney those files were produced. On that date, Badger admits,
69 its attorney was informed that the investigation was a criminal investigation. Badger continued to make requested records available for examination thereafter.

The third stage of the investigation then began. On August 6, 1954, after interviewing Mrs. Towle, Stieber

Page of Record

and Graf had a conference with Berner. Stieber asked for the black book and suggested that it was in Berner's closet, whereupon Berner told him to go and look if he thought it was there. Stieber looked and did not find it. It would appear that no flat denial of its existence was made by Berner, but rather that there was considerable fencing and "jockeying", since it is clear that Berner told the agents on that day that he would call them on August 16th or 17th to give them a decision, and Graf, at least, interpreted that as a statement that he was going to give a decision about producing the black book.

By August 25, 1954, Berner was represented by counsel, who inquired whether he should file a power of attorney. Stieber informed Berner's attorney that he was examining Badger and not Berner. When questioned by adversary counsel and the court whether it was policy to commence prosecutions against corporations, Stieber disclaimed knowledge of policy but admitted that he knows of no prosecutions that were begun against corporations, giving rise to a fair inference that he was aware from the beginning of his investigations that he was investigating to determine possible criminal liability of an individual connected with Badger, that individual being Berner, the only person named by his informant.

We now come to what we consider to be the fourth stage of the investigation. On October 11, 1954, Berner, Secretary-treasurer of Badger, was summoned to appear before Stieber on October 21, 1954, to give testimony with respect to the tax liability of the company. He was directed to bring with him:

70 "The ledger book containing certain recordings relating to advance payments made to various salesmen of the Badger Meter Manufacturing Company; said

Page of Record

ledger book containing sheets on which is recorded data relating to customers, invoice numbers, amounts of payments by customers, which form the basis for the advance payments to the salesmen."

Berner appeared as directed and was represented by counsel when he appeared. When he was asked whether he had produced the ledger book set forth in the summons, his attorney stated his legal position to be that *corporate* ledgers relating to salesmen's advances had been made available and that there was no single *corporate* record with that information. The attorney further stated that Berner denied that he had any *corporate* record as described, but neither admitted nor denied custody or control of a private record. He added that if the subpoena referred to a private record, Berner refused to produce it if he had it or to testify with respect to it on the grounds that he might be incriminated thereby. These statements were approved by Berner. His counsel also indicated that he knew the investigation was for the purposes of considering possible criminal prosecution (though the investigation was still ostensibly of the company) and that evidence sought might incriminate Berner. At this stage it is clear that Berner knew he was a potential defendant in a criminal prosecution.

On February 3, 1955, Stieber filed a petition in this court alleging that Internal Revenue Service was investigating the tax liabilities of Badger, that Berner failed to comply with the summons of October 11, 1954 by failing to produce the corporate record described therein and in his custody as an official of the company or to testify with respect to the contents thereof and asking that a writ of attachment be issued pursuant to § 7604 of the 1954 Internal Revenue Code directing the United States Marshal to bring Berner before the court to show cause

Page of Record

for his failure to comply, and that upon a hearing, the court order Berner to testify concerning the company. The court issued an order for attachment stating that
71 Berner had not complied with the summons in violation of various sections of the Internal Revenue Code of 1954, directing the Clerk of Court to issue a writ of attachment, directing the Marshal to serve and execute the writ and ordering that upon the arrest of Berner he be brought before the court for a hearing. The writ was issued and Berner came before the court with his attorney on February 7, 1955. No objection was made by him or his attorney to the issuance of the writ or any of the proceedings before the court, and, on agreement of the parties, the matter was held in abeyance and Berner released on his own recognisance. No order was entered directing Berner to produce any records or give any testimony.

On March 4, 1955, Berner, again represented by very able counsel, appeared before Stieber. Badger's counsel was also present. Berner produced *two* ledgers, in compliance with the summons of October 11, 1954, and was given a receipt therefor describing the books produced as "1 black three ring binder containing 93 pages" and "1 black two post ledger containing 191 pages". Neither Berner, his attorney, nor the attorney for the company made any objection to production of these records. This material was photostated by Stieber and returned to Berner on March 16, 1955. Berner gave his receipt. The court proceeding was dismissed on March 11, 1955 on motion of the United States.

After obtaining photostats of the two books, Stieber requested and examined various records of the company.

No attempt was made at the hearing to identify all of the evidence which the petitioners seek to suppress. It was

Page of Record

agreed by the parties that if the court determines that the petitioners are entitled to the relief sought they would stipulate to the evidence affected by that decision.

72 The investigation by Internal Revenue commenced, as we have stated, in 1954. On June 8, 1959, a complaint was presented to the United States Commissioner charging Berner with a violation of § 145(b), of the Internal Revenue Code of 1939 in connection with filing the company's return for the year 1952. This complaint, filed only two days before the statute of limitations for that year had run, was dismissed. Further prosecution involving that year is apparently barred. It is our understanding that prosecution involving the year 1953 was planned but that the statute of limitations for that year had run before action was taken. The only criminal case now pending in any way relating to the investigation previously described is Criminal Action No. 59-CR-94 in which Berner has been charged in a two count indictment with violating § 1001, Title 18, U.S.C. by falsely stating to Stieber and Graf on August 6, 1954 that no corporate record of advances to salesmen existed and by falsely stating (through his attorney) on October 21, 1954 in response to an administrative summons issued *October 21, 1954* [sic] that no corporate record as described in the summons existed.

Badger contends that all information obtained by Stieber and Graf from its books and records before July 27, 1954, the day when its attorney was told that a criminal investigation was in progress, and all evidence obtained through leads gotten during that period, were obtained during an unlawful search and seizure in violation of its rights under the Fourth Amendment to the United States Constitution. It also contends that the

Page of Record

ledgers delivered to Stieber on March 4, 1955, and evidence obtained through leads gotten from the ledgers, were procured in violation of its rights under the Fourth Amendment because they were uncovered as a result of leads gotten prior to July 27, 1954, and because they were obtained by use of unlawful process. It asks that all said material be returned and suppressed as evidence against itself and any of its past or present officers or employees in any criminal proceeding.

73. Berner challenges the legality of the examination of Badger's records prior to July 27, 1954 and claims standing to ask suppression of all evidence obtained by means thereof because while the investigation was purportedly of Badger, in truth and in fact it was directed at him and he was the victim thereof.[2] He also contends that all oral statements made by him from the beginning of the investigation to and including August 6, 1954 were evidence obtained in violation of his rights under the Fourth and Fifth Amendments, and that statements made before Stieber on October 21, 1954 and March 4, 1955, the ledgers delivered to Stieber on March 4, 1955 and all evidence obtained as a result of leads found in the ledgers were also obtained in violation of his rights under the Fourth and Fifth Amendments.

The respondents contend primarily that the petitioners consented to the examinations here complained of and that Berner waived the rights under the Fifth Amendment which he here claims were violated.

[2]In his brief, Berner claims that some material was taken from his own private office during that time, giving him rights not derived through the corporation to object to the search and seizure but no evidence supports this claim.

Page of Record

We have examined the entire record herein and have considered with care the arguments of counsel presented in their extensive briefs and the many authorities upon which they rely, and have concluded that no violation of Badger's rights under the Fourth Amendment or Berner's rights under the Fourth and Fifth Amendments has been shown and that these actions must be dismissed.

At the outset we must state that we are here concerned only with the rights of Badger and Berner, the only parties appearing to assert that their rights have been invaded. Insofar as Badger seeks suppression of certain material as evidence against any of its past or present officers or employees, its petition must be summarily denied.

It is clear that Badger consented to examination of its books and records by Graf and Stieber during the first
74 two stages of the investigation. Both Badger and Berner argue that this consent was not voluntarily and understandingly given, but rather was procured by fraud and deceit of the agents in failing to apprise Badger that a joint investigation, being "one that is initiated when probable fraud is indicated" (*United States v. Wolrich* (S. D. N.Y. 1955) 129 F. Supp. 528 at 529) was being conducted and in misleading Badger into believing that the examination was a routine audit for the purpose of investigating civil liability only. We do not agree. We believe this case indistinguishable in any material respect from *United States v. Wheeler* (W. D. Pa., 1959) 172 F. Supp. 278,[3] wherein the court stated at Page 283:

> "It is established that failure to warn a person suspected of crime of his constitutional rights does not

[3]For a full statement of the facts upon which the defendant in that case relied in asserting that certain evidence must be suppressed, see *United States v. Wheeler* (W. D. Pa., 1957) 149 F. Supp. 445.

Page of Record

> of itself make his confession or admissions involuntary, Wilson v. United States, 1896, 162 U.S. 613, 623, 16 S. Ct. 895, 40 L. Ed. 1090; Powers v. United States, 1912, 223 U. S. 303, 313, 32 S. Ct. 281, 56 L. Ed. 448. And it seems to be pretty well settled that if a taxpayer freely consents to a tax examination of his records at the request of an internal revenue agent, as was done in this case, it is not to be concluded that his consent was enticed, induced, or rendered involuntary by the failure of the agent to divulge the purpose and instructions of his superiors or to warn the taxpayer that he is under suspicion of criminality. Turner v. United States, 4 Cir., 1955, 222 F. 2d 926, a case involving both the Fourth and Fifth Amendments. See, also, United States v. Achilli, 7 Cir., 1956, 234 F. 2d 797, affirmed 1957, 353 U. S. 373, 77 S. Ct. 995, 1 L. Ed. 2d 918; Vloutis v. United States, 5 Cir., 1955, 219 F. 2d 782; United States v. Burdick, 3 Cir., 1954, 214 F. 2d 768; Montgomery v. United States, 5 Cir., 1953, 203 F. 2d 887, where the agent made affirmative representations that the investigation was 'purely a civil matter'."

In affirming the defendant's conviction in that case, the Court of Appeals for the Third Circuit stated in *United States v. Wheeler* (1960) 275 F. 2d 94, at Page 97:

> "The important relevant inquiry in this case is whether appellant freely gave his consent to have his rec-
> 75 ords examined with the knowledge that his returns were being investigated. The answer to that inquiry is unequivocally, yes."

The court responded thus to its own inquiry despite the fact that in that case a revenue agent had been sent by his superiors to conduct a routine investigation of the defendant's records "with the additional mission of ascertaining involvement of Internal Revenue employees and defend-

Page of Record

ant in any wrongdoing with a view to obtaining facts which would lead to criminal prosecution." (149 F. Supp. 445, at Page 448) and that defendant was not informed of the underlying purpose of the investigation.[4]

In the instant cases, Badger concededly consented to examination of its records by Graf prior to July 6, 1954 and by Graf and Stieber to July 27, 1954. Its consent was given without coercion or duress and without promise of immunity from criminal liability or assurance that criminal liability would not be checked. We do not believe that the failure of the agents to inform anyone at Badger that the investigation was being conducted with a view to determining criminal as well as civil liability amounted to fraud, trickery or deceit vitiating the consent given.

We also believe that even if it were held that the failure to disclose the criminal implications of the investigation vitiated Badger's consent, the period affected by that failure is the period when Graf alone conducted the examination, that is, the period prior to July 6, 1954. On that date, Stieber's participation in the investigation was revealed and he was identified as a special agent. This identification, plus the information given on that date that the Revenue Service had heard that Badger was making kickbacks through its salesmen was sufficient to warn company officials that the investigation could have criminal implications.

In holding that the examination of Badger's records
76 prior to July 27, 1954 was conducted with Badger's consent and without violation of its rights under the Fourth Amendment, we place considerable reliance on the opin-

[4]We do not consider it significant that the criminal investigation initiated in the *Wheeler* case prior to the revenue agent's examination did not relate to tax evasion.

Page of Record

ion of our own Court of Appeals in *United States v. Achilli* (1956), 234 F. 2d 797.

Since the examination made prior to July 27, 1954, did not violate Badger's rights under the Fourth Amendment, we need not consider Berner's contention that he has standing to seek suppression of material obtained from the company during that period. Neither need we consider his contention that the Fourth Amendment requires suppression of statements made by him to the agents during that period since no unreasonable search and seizure occurred. We must, however, consider whether oral statements and admissions made by him to the agents through August 6, 1954 were obtained in violation of his rights under the Fifth Amendment. As we have stated previously, it is the position of the respondents that Berner's rights under the Fifth Amendment were waived.

The evidence reveals that neither Stieber nor Graf informed Berner that their investigation might lead to a prosecution of him, and that they were fully aware of the fact that he was the target of the investigation. Knowing this, Stieber stated as late as August 25, 1954, that he was examining Badger and not Berner, when asked by Berner's counsel whether a power of attorney should be filed.

We do not believe that Berner's rights under the Fifth Amendment were violated as a result of the conduct of the agents. Such a holding should in no wise be construed as approval of the methods and tactics here found to have been used. Berner made statements to the agents. He made them voluntarily, but without being informed of his rights and without being told that he himself was under suspicion. His counsel apparently concedes, however, that the failure to inform Berner of his constitutional

Page of Record

77 rights did not, in and of itself, violate those rights. While the agents deliberately led him to believe that only Badger was being investigated, no claim is made by Berner that any promise of immunity was made to him or that he was given the impression that he would not be prosecuted. We cannot hold that Berner, in making statements to the agents, did not make them voluntarily and understandingly merely because he was not previously informed that he himself was under investigation.

In support of his contention that statements made and records delivered to Stieber on October 21, 1954 and March 4, 1955, were procured in violation of his rights under the Fourth Amendment, Berner first claims that Stieber had no authority under § 602, Title 26 U. S. C. to summon him to appear before him, stating that under that section a summons can properly be issued only to aid in the determination and collection of civil tax liability, and that the Internal Revenue Code does not authorize issuance of a summons in support of a criminal investigation. We have examined the summons of October 11, 1954. That summons related to the tax liability of Badger. It may be that the criminal matter was in mind, but in our opinion issuance of the summons was justified by the existence of an investigation into any possible civil tax liability on the part of Badger.[5] It has not been shown that such an investigation did not exist.

Neither do we agree with the argument that putative criminal defendants cannot constitutionally be summoned under § 7602. The section itself does not limit the class of persons who may be summoned, and of course persons

[5]See *Lash v. Nighosian* (C. A. 1, 1959) 273 F. 2d 185, cert. den. 1960, 362 U.S. 904, and *Boren v. Tucker* (C. A. 9, 1956) 239 F. 2d 767.

Page of Record

summoned are always free to assert their constitutional privileges.

Berner also asserts that by virtue of the issuance of the summons he was compelled to produce the ledgers—per-
78 sonal records or corporate records held in a personal capacity—and to make statements in violation of his rights under the Fifth Amendment. In our opinion the record clearly shows that any statements made by him before the special agent on October 21, 1954 and March 4, 1955, were voluntarily made, that the records produced by him on March 4, 1955 were voluntarily produced, and that any rights which he may have had with respect thereto under the Fifth Amendment were waived. Berner was represented by counsel during both appearances before Stieber, and invoked the protection of the Fifth Amendment during his first appearance. The mere fact that he appeared, produced records and made statements by reason of a summons does not constitute a violation of his rights under the Fifth Amendment. He was at all times free to assert those rights but he and his counsel chose not so to do.

We reject completely the contention that the commencement of enforcement proceedings in this court constituted unlawful coercion and compulsion resulting in Berner's surrendering the ledgers on March 4, 1955. No order was entered by this court directing Berner to comply with the summons of October 11, 1954, and it was at all times apparent that such an order would not be entered without Berner being afforded a hearing.

Because the ledgers produced on March 4, 1955, were not obtained in violation of Berner's rights under the Fourth and Fifth Amendments, we need not consider

Page of Record

Badger's contention that seizure of the ledgers in violation of Berner's rights violated its own rights under the Fourth Amendment.

Both petitioners have complained of violations by the agents of the Internal Revenue Manual. These contentions cannot properly be made in pre-indictment petitions to suppress.

We have not considered herein the standing of each petitioner to ask the relief sought. The title as between the two petitioners to the ledgers which, we assume, are
79 the prime evidentiary matters sought to be suppressed, need not and cannot on the record before us be determined.

Because in our opinion the rights of the petitioner in Civil Action No. 59-C-119, Badger Meter Manufacturing Company, under the Fourth Amendment, and the rights of the petitioner in Civil Action No. 59-C-125, Philip J. Berner, under the Fourth and Fifth Amendments, have not been violated, the relief requested in these actions must be denied.

This memorandum shall stand as and for findings of fact and conclusions of law within the meaning of Rule 52(a) of the Federal Rules of Civil Procedure. Counsel for the respondents will prepare an order for judgment and submit it to opposing counsel for approval as to form.

Dated, Milwaukee, Wisconsin, this 15th day of August, 1962.

ROBERT E. TEHAN
U. S. District Judge

(*Appendix B*)

Page of Record

APPENDIX C

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

BADGER METER MANUFACTURING COMPANY, *Petitioner and Movant,* *vs.* JAMES B. BRENNAN, in his capacity as United States Attorney for the Eastern District of Wisconsin; and EMIL B. NELSON, in his capacity as District Director of Internal Revenue, *Respondents.*	No. 59-C-119

CERTIFICATE OF CLERK

88 I hereby certify that I am Clerk of the United States District Court for the Eastern District of Wisconsin, and that the following information has been transcribed accurately from records on file in this Court:

On June 29, 1959, Petitioner filed a "MEMORANDUM BRIEF IN SUPPORT OF MOTION FOR PRELIMINARY INJUNCTION", in Civil Action No. 59-C-125, which was then entitled *Philip J. Berner, Petitioner, v. Edward G. Minor, United States Attorney for the Eastern District of Wisconsin, and Frederick C. Stieber, Special Agent, Internal Revenue Service, Respondents.*

The following extract has been taken from pages 33-34 of the above-described brief:

Page of Record

"For the purposes of the hearing and decision on this pre-indictment motion to suppress, the Court may assume that the records in question were corporate records. Petitioner does not intend to adduce testimony at this time to support his position that the records were personal and private records. Petitioner does not, however, waive the right to present such evidence in any future proceeding of any nature."

89

Dated at Milwaukee, Wisconsin, this 26th day of December 1962.

/s/ Dale E. Ihlenfeldt
Dale E. Ihlenfeldt,
Clerk.

(Appendix C)

Page of Record

APPENDIX D

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WISCONSIN

BADGER METER MANUFACTURING COMPANY, *Petitioner and Movant,* *v.* JAMES B. BRENNAN, in his capacity as United States Attorney for the Eastern District of Wisconsin; and EMIL J. NELSON, in his capacity as District Director of Internal Revenue, *Respondents.*	CIVIL ACTION No. 59-C-119

ORDER FOR JUDGMENT

80 This cause having come on for hearing before the Court on July 15, 1959, Badger Meter Manufacturing Company, Petitioner, appearing by Messrs. James D. Porter, Esquire, Irving W. Zirbel, Esquire and Norman H. Quale, Esquire, its counsel, and having been consolidated for trial with the cause, *Philip J. Berner, Petitioner, v. James B. Brennan, United States Attorney for the Eastern District of Wisconsin,* Civil Action No. 59-C-125 and the issues having been duly tried and the Court having issued its opinion on the 15th day of August, 1962, containing its Findings of Fact and Conclusions of Law; now, therefore, upon all of the records, files and proceedings had herein,

Page of Record

IT IS HEREBY ORDERED as follows:

1. That the relief requested in the above-entitled ac-
81 tion by the Petitioner be denied and that this action be dismissed.

2. The Clerk is directed to enter final judgment in accordance with the foregoing provision of this Order.

Dated at Milwaukee, Wisconsin, this 25 day of September, 1962.

/s/ Robert E. Tehan
United States District Judge for
the Eastern District of Wisconsin

APPROVED AS TO FORM:

/s/ James D. Porter
/s/ Irving W. Zirbel
Attorneys for Badger Meter
Manufacturing Company

/s/ Philip L. Padden
Attorney for Respondents
Asst. United States Attorney

(*Appendix D*)

APPENDIX E

UNITED STATES COURT OF APPEALS
For the Seventh Circuit
Chicago 10, Illinois

November 29, 1962

Before

Hon. WIN G. KNOCH, Circuit Judge
Hon. LATHAM CASTLE, Circuit Judge
Hon. ROGER J. KILEY, Circuit Judge

BADGER METER MANUFACTURING COMPANY, *Petitioner-Appellant,* *vs.* No. 13977 JAMES B. BRENNAN, in his capacity as United States Attorney for the Eastern District of Wisconsin; and EMIL B. NELSON, in his capacity as District Director of Internal Revenue, *Respondents-Appellees.*	Order Dismissing Appeal

On consideration of the motion of respondents-appellees to docket and dismiss this appeal, the petitioner-appellant's brief in opposition thereto and the affidavit filed therewith, and the reply brief of respondents-appellees;

And it appearing that pursuant to an order entered herein November 6, 1962, this appeal has been docketed;

And it further appearing that the order sought to be appealed is interlocutory and not an appealable order under the doctrine and principles of DiBella v. United States, 369 U.S. 121;

IT IS ORDERED that respondents-appellees' motion to dismiss this appeal is ALLOWED and the appeal herein is DISMISSED.

APPENDIX F

Applicable Provisions Of The Statutes And Rules Involved

United States Code, Title 28, §1254(1):

"Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

"(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree;"

United States Code, Title 28, §1291:

"The courts of appeals shall have jurisdiction of appeals from all final decisions of the district courts of the United States, * * * except where a direct review may be had in the Supreme Court."

Federal Rules of Civil Procedure

Rule 1, second sentence:

> "They [these rules] shall be construed to secure the just, speedy, and inexpensive determination of every action."

Rule 8(a), second sentence:

> "Relief in the alternative or of several different types may be demanded."

Rule 8(f):

> "All pleadings shall be so construed as to do substantial justice."

Rule 54(c), second sentence:

> "Except as to a party against whom a judgment is entered by default, every final judgment shall grant the relief to which the party in whose favor it is rendered is entitled, even if the party has not demanded such relief in his pleadings."

APPENDIX G

Statement Of The Case Which Will Be Reviewed If The Judgment Of The Court Of Appeals Is Vacated

The following summarizes the facts of the case that will be reviewed, if the judgment of the court of appeals is vacated on certiorari. Dispute exists among the circuits as to the legal effect of some of them.

The tax investigation was a criminal one, with Berner (and not the Company) as its sole target, from its inception in January, 1954. (App. B, pp. 5, 6, 8; R. 65-68). Knowing all this, a Revenue Agent (an auditor), went to the Company plant alone, with the knowledge and consent of one Stieber, a Special Agent of the Intelligence Division (a trained detective), who directed the criminal investigation. (App. B, pp. 7, 8; R. 67, 102, 103, 303).[1]

The auditor represented that he had come to make an audit of a Company tax return, and received full cooperation. (App. B, pp. 7, 8; R. 67, 68). He remained alone at the plant for ten days through Friday, July 2, 1954, actually working on the investigation, but stating only that he was auditing the books. (App. B, p. 8; R. 68).

The detective first appeared from behind the scenes by means of accompanying the auditor on his return to the plant on Tuesday, July sixth, after the long, holiday

[1]Such an investigation is called a "joint" investigation in internal regulations of the Service, i.e., Part 9 of the Internal Revenue Manual, and Chapter 10 of the Handbook for Internal Revenue Agent (R. 104). Among other things, they prescribe standards of fair play to be observed by Agents in investigations and audits. (Pet. Exs. 15, R. 418; 17, R. 420; 18, R. 421; and 20, R. 423; all offered and received without objection at R. 327). The trial court admitted such regulations in evidence, but concluded that complaints of violations of them could not properly be made in "pre-indictment motions to suppress". (App. B, p. 21; R. 78).

weekend. (App. B, pp. 8, 9; R. 68, 298). He merely introduced himself as "Special Agent Stieber"; said nothing about the Intelligence Division; and said nothing about either of them being there to conduct an investigation with criminal implications. (App. B, p. 9; R. 68). One of the agents remarked that the Service had information that the Company was allegedly making kickbacks through its salesmen. (App. B, p. 9; R. 68). The auditor and the detective then began work together at the plant, with the continuing full cooperation of Company personnel. (App. B, p. 9; R. 68).

Within "several" days after July 6th, the detective obtained the name of a Mrs. Towle, a former secretary of Berner's, from the Company records. (App. B, p. 9; R. 68). ("Several" is the court's language. The detective testified that it was on July seventh or eighth, "somewhere in there". [R. 304]). He then interviewed Mrs. Towle, who gave him information in which she described a record, of which he had had no description before, and located it as being kept by Berner in his office closet. (App. B, p. 9; R. 68, 304). First he interviewed Mrs. Towle; and his diary entries reveal that then, on August 4, 1954, he prepared questions to ask her under oath; and on August 5, 1954, formally interrogated her under oath as to the record. (R. 59, 240).

The detective then subpoenaed (ostensibly still in an investigation of the "tax liability of the Company"), and obtained two ledgers, which constituted the record about which Mrs. Towle had told him. (App. B, pp. 10, 11; R. 69, 70). After photostating and returning them, he demanded, examined, copied or transcribed and returned various records of the Company. (App. B, p. 12; R. 71). He then sent the copies and transcriptions to Intelligence

Division offices around the United States, in order that their agents might interrogate Company salesmen. (R. 313-315).

Now, in this Appendix, we summarize the Company's contentions as follows:

First, all evidence seized by the Revenue Agent (the auditor) prior to July 6, 1954, was unlawfully seized because of his misrepresentation that he was merely engaged in a routine tax audit.

Second, we contend that Mrs. Towle's name was unlawfully searched for and seized; and that the leads, clues and property which the detective obtained as a result, i.e.: the information Mrs. Towle gave him, the ledgers he seized by means of that information, and the information and records he obtained from the ledgers, all were tainted by the initial illegality which attached to the obtaining of her name.

Our second contention, above, rests upon our disagreement with the district court's conclusion that, notwithstanding ten days had elapsed in the course of a supposedly normal, routine tax audit and thereupon the auditor was quietly accompanied by a companion on the auditor's return after a holliday weekend, the companion's introduction as, merely, a special agent, plus a remark that the Revenue Serwice had heard that the Company was making kickbacks through its salesmen, was sufficient to warn Company officials that the investigation could have criminal income tax implications. (App. B, p. 17; R. 75). Even the Revenue Agent (the auditor), who had been a Revenue Agent for almost six years (R. 124) and apparently had participated in other joint, criminal investigations (R. 193), testified that the mere designation

"special agent" would not imply a criminal investigation to anyone who did not have an appreciation of rank within the Revenue Service. (R. 199, 200).

Third, and finally, the Company contends that the taint of illegality continued to attach to property obtained from Company records made available upon the special agent's demand after July 27, 1954. In this contention the Company disagrees with the district court's contrary conclusion, which the court based upon the fact that on that date the special agent informed the attorney for the Company that he was engaged in "a criminal investigation"; and thereafter the Company continued to make requested records available for examination. (App. B, p. 9; R. 68, 69). The court implied in its opinion, incorrectly, that the Company conceded that only property seized as the result of leads obtained prior to July 27, 1954, was unlawfully seized. (App. B, pp. 13, 14; R. 72). The Company did not, and does not make any such concession.

The Company's third contention is grounded upon two arguments. We call attention, with respect to the occurrences on July 6, 1954, that if the words "special agent" had been addressed to a knowledgeable person to whom that designation also carried with it the words "Intelligence Division" and "detective", nevertheless the agents had given to their criminal investigation the erroneous appearance of a routine audit which had turned up suspicions of fraud, and in which they were acting fairly and above-board, in conformity with the Handbook for Internal Revenue Agent (Pet. Ex. 20, R. 423, 327). The respondents (the Government) bore the burden of proving, but failed to introduce any evidence to prove, that either any Company official, or the Company's lawyer on

July 27, 1954, were aware of the true state of affairs. Once a citizen has been so far misled by the conduct of government officers, as the Company had been misled, compliance with their further demands, even after so limited a disclosure of the officers' true purpose as was made on July 27, 1954, does not constitute a knowing and willing consent to, or waiver of, the taint which attached to the officers' illegal conduct and the fruits of that conduct.

(Appendix G)